

806 KAR 6:120. Recognition of preferred mortality tables for use in determining minimum reserve liabilities.

RELATES TO: KRS 304.6-130, 304.6-140, 304.6-160, 304.6-170, 304.6-171, 304.6-180

STATUTORY AUTHORITY: KRS 304.2-110, 304.6-140(2)(a)

NECESSITY, FUNCTION AND CONFORMITY: KRS 304.2-110(1) authorizes the Commissioner of the Department of Insurance to promulgate administrative regulations necessary for the effectuation of any provision of the Kentucky Insurance Code, KRS Chapter 304. KRS 304.6-140(2)(a) provides that the commissioner may promulgate by administrative regulation any mortality table adopted by the National Association of Insurance Commissioners for use in determining the minimum standard for valuation of policies. This administrative regulation establishes the use of mortality tables that reflect differences in mortality between preferred and standard lives in determining minimum reserve liabilities in accordance with KRS 304.6-140 and 806 KAR 6:075.

Section 1. Definitions. (1) "2001 CSO Mortality Table" means a mortality table that:

(a) Consists of separate rates of mortality for male and female lives;

(b) Was developed by the American Academy of Actuaries CSO Task Force from the Valuation Basic Mortality Table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force and adopted by the National Association of Insurance Commissioners in December 2002;

(c) Is published in the Proceedings of the NAIC (2nd Quarter 2002) and supplemented by the 2001 CSO Preferred Class Structure Mortality Table; and

(d) Includes, unless the context indicates otherwise, both:

1. The ultimate form and the select and ultimate form of the table;
2. The smoker and nonsmoker mortality tables and the composite mortality tables; and
3. The age-nearest-birthday and the age-last-birthday bases of the mortality tables.

(2) "2001 CSO Preferred Class Structure Mortality Table" means a mortality table with separate rates of mortality for super preferred nonsmokers, preferred nonsmokers, residual standard nonsmokers, preferred smokers and residual standard smoker splits of the 2001 CSO nonsmoker and smoker tables as described in the report dated January 13, 2006, and adopted by the National Association of Insurance Commissioners at the September 2006 meeting. Unless the context indicates otherwise, the "2001 CSO Preferred Class Structure Mortality Table" includes:

(a) The ultimate form and the select and ultimate form of the table;

(b) The smoker and nonsmoker mortality tables;

(c) The male and female mortality tables and the gender composite mortality table; and

(d) The age-nearest-birthday and age-last-birthday bases of the table.

(3) "Composite mortality tables" means the mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.

(4) "Commissioner" is defined in KRS 304.1-050(1).

(5) "CSO" means Commissioners Standard Ordinary.

(6) "Smoker and nonsmoker mortality tables" means mortality tables with separate rates of mortality for smokers and nonsmokers.

Section 2. 2001 CSO Preferred Class Structure Table. (1) At the election of the insurer for any one (1) or more specified plan of insurance and subject to the conditions stated in this administrative regulation, the 2001 CSO Preferred Class Structure Mortality Table may be substituted in place of the 2001 CSO Smoker and Nonsmoker Mortality Table as the minimum valua-

tion standard for policies issued on or after January 1, 2007, to which KRS 304.6-140 and 806 KAR 6:075 apply.

(2) An election shall not be made until the insurer can demonstrate at least twenty (20) percent of the business to be valued on this table is in one (1) or more of the preferred classes.

(3) A table from the 2001 CSO Preferred Class Structure Mortality Table used in place of a 2001 CSO Mortality Table, pursuant to the requirements of this administrative regulation, shall be treated as part of the 2001 CSO Mortality Table only for purposes of reserve valuation pursuant to the requirements of 806 KAR 6:110.

Section 3. Conditions. (1)(a) For each policy of insurance with separate rates for preferred and standard nonsmoker lives, an insurer may use the super preferred nonsmoker, preferred nonsmoker, and residual standard nonsmoker tables to substitute for the nonsmoker mortality table found in the 2001 CSO Mortality Table to determine minimum reserves.

(b) At election and annually thereafter, except for business valued under the residual standard nonsmoker table, the appointed actuary shall certify that:

1. The present value of death benefits over the next ten (10) years after the valuation date, using the anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the valuation basic table corresponding to the valuation table being used for that class; and

2. The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the valuation basic table corresponding to the valuation table being used for that class.

(2)(a) For each policy of insurance with separate rates for preferred and standard smoker lives, an insurer may use the preferred smoker and residual standard smoker tables to substitute for the smoker mortality table found in the 2001 CSO Mortality table to determine minimum reserves.

(b) At election and annually thereafter, for business valued under the preferred smoker table, the appointed actuary shall certify that:

1. The present value of death benefits over the next ten (10) years after the valuation date, using the anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the preferred smoker valuation basic table corresponding to the valuation table being used for that class; and

2. The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the preferred smoker valuation basic table.

Section 4. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) "2001 CSO Mortality Table", published in the proceedings of the National Association of Insurance Commissioners, Section Quarter 2002; and

(b) "2001 CSO Preferred Class Structure Mortality Table", published in the proceedings of the National Association of Insurance Commissioners, Third Quarter 2006.

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